



 **BlueShore**
FINANCIAL

2023

Annual Report
and Management
Discussion &
Analysis

2023

Annual Report and Management Discussion & Analysis

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Leadership Viewpoints

A message from Board and Management

BlueShore Financial continues to focus on meeting the needs of our clients, employees and communities.

Last year saw many fluctuations in the economic environment, a continued commitment to supporting our clients and communities, and new leadership at BlueShore Financial. Both of us began new roles last year, with Diana being named Board Chair in April 2023 after serving four years as a Board Director and Ian joining as BlueShore's new CEO in November 2023.

We are proud to lead this impressive financial institution and to continue BlueShore's commitment to improving your financial well-being.

In 2023, BlueShore Financial showed resilience and areas of continued strength despite a challenging interest rate environment. Total assets under administration increased by 6.2% to an all-time high of \$7.4 billion. Residential mortgages and consumer loans increased by \$35.8 million or 1.2% to \$2.9 billion. Member deposits totalled \$5.1 billion as of Dec 31, 2023, an increase of \$408.8 million or 8.8% over 2022. Term deposit growth of \$475.7 million or 14.5% drove the overall growth in deposits.

Like many financial institutions, BlueShore has been impacted by the current macroeconomic environment, including rapidly rising interest rates that have persisted longer than expected. In the challenging market environment, BlueShore posted a net loss of \$28.6 million in 2023, largely due to a reduction in net interest income caused by shorter-term deposits repricing faster than longer-term loans.

The impact of interest rates on our financial results is temporary. As loans re-price in relation to deposits, financial margin and profitability will be restored. BlueShore remains dedicated to the security and prosperity of our clients, employees and communities.

BlueShore welcomed 3,000 new clients last year. It is a point of pride that BlueShore's member experience continues to be highly valued. Our annual Ipsos survey in 2023 found members who deal with our Financial Advisors consistently rate BlueShore Financial significantly higher than do the people who deal with other financial institutions. We are grateful for your trust and will continue to work hard to earn it.

Looking ahead, BlueShore is committed to evolution, where we preserve what makes BlueShore great and focus on innovating further to continue to meet and exceed your expectations.

Thank you for choosing as your financial partner.

Sincerely,

Ian Thomas, President and CEO

Diana Chan, Chair, Board of Directors



*Ian Thomas,
President and CEO*



*Diana Chan,
Chair, Board of Directors*



Fostering Financial Wellness Every Day

The BlueShore Financial team strives to enhance our clients' financial well-being and elevate our premium client experience, both online and face-to-face.

Elevating Your Experience

In 2023, we expanded one of our original branch locations: our Park Royal Financial Spa in West Vancouver. The newly renovated branch now contains more space for our Investment Advisors and Wealth team including a new meeting room well suited to hosting multi-family member financial planning discussions.

Our skilled Solution Centre associates provided exceptional support and expertise in 2023, handling over 83,000 client interactions with an impressive average call wait time of 45 seconds. Our call centre team is proud to be based locally in BC and are committed to offering efficient assistance and expert financial advice whenever and wherever you need it.

To help our clients and prospective clients improve their financial literacy and assess their financial well-being, we launched our digital [Financial Wellness Checkup™](#) tool. This self-serve online financial survey, uniquely developed by BlueShore, presents a series of questions to users regarding their financial well-being and literacy. Upon completion of the questionnaire, users receive a score of their overall financial wellness, along with a descriptive analysis and advice tips for the future. We encourage you to try it out for yourself.

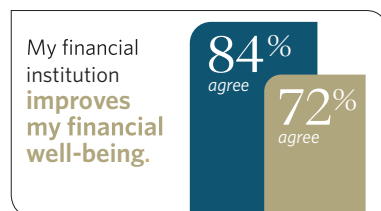
Exceeding Expectations

Each year, BlueShore conducts an independent survey of our clients and non-clients who bank at other financial institutions within our trade area to evaluate how we're doing to meet clients' needs. Clients who work with our Financial Advisors consistently give a high rating to their overall experience, exceeding the rating at other financial institutions.

In the most recent survey conducted by Ipsos, of the BlueShore clients surveyed, 84% agreed that "My financial institution is an expert provider of expert advice". Additionally, 89% of clients surveyed who are working with a BlueShore Advisor said they would recommend BlueShore Financial to a friend. These are powerful testaments to the experience and premium services we provide.

The survey also finds that BlueShore continues to significantly outperform other financial institutions in areas such as working with clients' best interests in mind, valuing clients' business and offering good value for products and services. [Learn more](#) about what clients are saying about working with us.

■ BlueShore Financial ■ Other Financial Institutions



Empowering and Engaging Our Clients

BlueShore Financial hosted four webinars throughout the year, offering our clients and communities access to timely and topical financial advice. Webinars about retirement planning, investment strategies for women and options for building an impactful legacy drew 690 registrants. A business webinar, *Protecting the Financial Core of Your Business*, showcased the expertise of our business advisory team. Our branches also hosted several in-person seminars featuring advice on a variety of financial and business topics.



Celebrating Our Contributions

Contributing to the overall wellness of our clients and communities continued to be a primary focus in 2023. Here are some highlights.

Connecting With Our Communities

In 2023, BlueShore contributed to a number of local initiatives that gave us the opportunity to connect with clients, colleagues and neighbours while showcasing our unique brand experience and our exceptional people. Our focus continues to be on providing support for mental, physical and community wellness initiatives through sponsored events, celebrations and volunteerism.

As the Presenting sponsor of the *RUNVAN First Half* and *Great Trek* and Platinum sponsor of the *Whistler Half Marathon*, BlueShore was active in popular events that bring communities together in support of physical wellness.

BlueShore's sponsorship of the *Dress for Success Luncheon* supported their mission to financially empower women. Our partnership with the *North Shore Crisis Services Society's Gala of Grace*, a notable North Shore event, raised awareness and funds for women and children leaving domestic abuse and violence.

Our commitment to community spirit extended to events such as the *Burnaby Hats off Day* and *Kerrisdale Days*, where local vibrancy thrived against the backdrop of festive celebrations. A commitment to seniors' well-being was featured at the *North Shore Seniors' Health Expo*, where BlueShore representatives presented on the importance of leaving a financial legacy.

Promoting local business excellence, BlueShore Financial played a pivotal role as sponsor for the *Squamish Chamber of Commerce Business Excellence Awards*, the *Whistler Chamber Excellence Awards* and the *North Vancouver Chamber Business Awards*. These platforms celebrate local achievements, reinforcing our commitment to the prosperity of the communities we serve.

In the spirit of Arts and Culture, our role as the Presenting sponsor at the *Bill Reid Gallery* helped celebrate Northwest Coast art. Supporting events like the *North Shore Art Crawl* displayed our dedication to cultural vibrancy and artistic expression. Our sponsorship of the *Bard on the Beach* production of *Henry V* further echoed our dedication to artistic excellence.

Channelling Our Expertise

BlueShore is also active in our communities through our increasing media presence. Our Advisors were featured in more than 30 newspaper, online news, radio and TV stories in 2023, building our reputation for providing expert financial advice. Media coverage included Shane Yu explaining how a side hustle can provide supplementary income in a Global TV *Money Matters* segment, Claudio Chisani discussing investments during inflation with BNN Bloomberg and Mona Heidari providing market commentary for a Canadian Press article.

This media coverage is supported by a robust social media program. BlueShore engages with a variety of audiences across several social media channels, building our profile and awareness of our community involvement, expert advice and strong employee experience.

Building a Vibrant Corporate Culture

BlueShore's achievements and progress are all the result of a committed, talented team. A number of initiatives contribute to making BlueShore a great place to work including a flexible and hybrid work program and a growing focus on Diversity, Equity and Inclusion (DEI) to ensure our work environment is welcoming for all.

In 2023, we increased our focus on our environmental, social and governance (ESG) factors within our operations, client relationships and communities. Our work included identifying key ESG pillars, supported by goals to advance our efforts. BlueShore Financial is committed to taking an active role in strategically supporting and incorporating ESG practices in our business, relationships, products and services to achieve financial wellness for our clients and help create a sustainable future for generations to come.



Management Discussion & Analysis

Introduction

BlueShore Financial (“BlueShore”) is a boutique financial institution offering a comprehensive range of personal and business banking, wealth management, insurance and commercial lending solutions. Proudly serving a growing and vibrant community since 1941, BlueShore operates branches across Greater Vancouver and the Sea-to-Sky Corridor, managing \$7.4 billion in Assets Under Administration.

This Management Discussion and Analysis (MD&A) contains information intended to enable readers to assess material changes in BlueShore’s financial and operating performance as at and for the year ended December 31, 2023, compared with the corresponding period in the prior year. All figures are derived primarily from the audited Consolidated Financial Statements. This MD&A is dated March 13, 2024 and should be read in conjunction with the audited Consolidated Financial Statements and related Notes for the year ended December 31, 2023, prepared in accordance with the requirements of the Financial Institutions Act of British Columbia and IFRS Accounting Standards.

Caution Regarding Forward-Looking Statements

From time to time, BlueShore makes written and/or oral forward-looking statements, encompassing BlueShore’s objectives, priorities and strategies for 2024 and beyond, as well as the regulatory environment and anticipated financial performance.

Due to their nature, these statements involve assumptions and are subject to inherent risks and uncertainties, some beyond BlueShore’s control, which may cause the actual results to differ materially from the expectations expressed in these forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements.

Any forward-looking statements in this document represent Management’s views only as of the date hereof and are solely presented for the purpose of assisting the reader in understanding BlueShore’s financial position, objectives, priorities, and anticipated financial performance as at and for the periods ended on the dates presented, and may not be appropriate for other purposes. BlueShore does not undertake to update any forward-looking statements, whether written or oral, that may be made from time to time by or on its behalf, except as required by law.

In predicting economic growth, BlueShore primarily relies on economic data and forecasts from Canadian government agencies and select private sector forecasts. These forecasts are subject to inherent risks and uncertainties. Where relevant, material economic assumptions underlying forward-looking statements are discussed in the Economic Review and Outlook sections of this MD&A.

2023 Financial Highlights

\$4.5B
(0.4%)

Total Loans

\$16.3 million decrease, compared with \$144.1 million increase in 2022.¹

\$5.1B
8.8%

Member Deposits

\$408.8 million increase, compared with \$70.5 million increase in 2022.

\$7.4B
6.2%

Total Assets Under Administration

\$435.0 million increase, compared with \$88.8 million increase in 2022.

\$1.7B
11.3%

Wealth Assets Under Administration

\$171.3 million increase, compared with \$168.0 million decrease in 2022.

(\$28.6M)
(253.9%)

Net Income (Loss)

Compared with \$18.6 million income in 2022.

(12.6%)

Return on Equity

Compared with 6.5% in 2022.

\$266.7M
(6.1%)

Members' Equity

\$17.3 million decrease in 2023, compared with \$18.6 million decrease in 2022.

19.9%

Operating Liquidity Ratio

Measures available liquidity as a percentage of deposits and borrowings. Above 8.0% statutory requirement. Compared with 14.7% in 2022.

13.5%

Capital Adequacy Ratio

Measures capital as a percentage of risk weighted assets. Compared with 14.1% in 2022.

¹Balance excludes accrued interest, allowance for credit losses, broker and commitment fees



Economic Review and Outlook

In 2023, the Canadian economy faced formidable challenges, including higher interest rates, persistent inflation and increased costs of living. Responding to the excess demand and inflationary pressures, the Bank of Canada raised the overnight rate by an additional 75 basis points to 5.0%, marking its highest level in 22 years. The elevated policy rate constrained spending and investment, resulting in an economic slowdown. Despite this, inflation persisted ending the year at 3.3%.¹ Canada and British Columbia's GDP growth decelerated to an estimated 1.1% and 0.7%, respectively. The province's unemployment rate rose to 5.2%,² while the housing market slowdown continued due to higher mortgage rates and constricted supply.³

Looking ahead to 2024, the impact of prior rate hikes is expected to persist, influencing consumer spending and business investment.⁴ The timing and magnitude of future policy rate adjustments are anticipated to correlate directly with core inflation; which is forecast to remain above the Bank of Canada's target range before moderating to 2.5% by year-end.⁵

Canada's GDP growth is projected at 0.8%,² falling below the average growth forecast for advanced economies.⁴ In British Columbia, GDP growth is forecast at 0.9%, while the unemployment rate is expected to increase to 5.8%.² Substantial uncertainty surrounds the full impact of the elevated rate environment, particularly given the record high debt burden.¹

BlueShore Strategy

BlueShore will continue to focus on maintaining a highly-secured, high quality asset portfolio and ensuring appropriate credit quality, liquidity and capital metrics. We are committed to cost management while upholding exceptional client service standards, acknowledging the needs for adaptability in the face of economic uncertainties.

¹Bank of Canada Monetary Policy Report (January 2024)

²BMO Provincial Economic Outlook (February 2024)

³Real Estate Board Greater Vancouver (December 2023)

⁴International Monetary Fund World Economic Outlook (January 2024)

⁵BMO Canadian Economic Outlook (February 2024)

2023 Performance Highlights

Net Income (Loss)

The net loss for 2023 was \$28.6 million, a decrease from a net income of \$18.6 million in 2022. The net loss was primarily due to the unfavourable impact of rising rates on net interest income and a higher provision for credit losses, partly offset by higher non-interest income and recovery of income taxes.

Net Interest Income

Net interest income (in thousands of dollars)	2023	2022	Change (\$)	Change (%)
Interest income				
Interest from loans and advances to members				
Residential and personal interest income	108,913	84,372	24,541	29.1%
Commercial and leasing interest income	95,606	73,668	21,938	29.8%
Investment Interest Income	24,389	8,104	16,285	200.9%
Other interest income	1,044	723	321	44.4%
	229,952	166,867	63,085	37.8%
Interest expense				
Interest on members' deposits	163,579	72,916	90,663	124.3%
Interest on borrowed funds	18,711	9,840	8,870	90.1%
Other interest expense	17,149	728	16,421	2255.9%
	199,439	83,484	115,955	138.9%
Net interest income	30,513	83,383	(52,870)	(63.4%)
	2023	2022		Change (%)
Average loan yield (%)	4.52%	3.54%		0.98%
Average deposit cost (%)	3.40%	1.58%		1.82%
Net interest income (%)	0.55%	1.60%		(1.05%)

Net interest income, defined as interest and investment income earned on assets less interest expense on deposits and borrowings, decreased \$52.9 million or 63.4% to \$30.5 million in 2023, from \$83.4 million in 2022.

In 2023, the increase in interest expense from deposits and borrowings outpaced the increase in interest income from loans and investments. The elevated rate environment resulted in significant margin compression as deposits repriced faster than loans due to the shorter duration of our deposits relative to the loans. Interest expense on member deposits increased by \$90.7 million to \$163.6 million in 2023, compared to \$72.9 million in 2022. Interest income from loans and advances to members increased by \$46.5 million to \$204.5 million in 2023, compared to \$158.0 million in 2022.

Provision for Credit Losses

Provision for Credit Losses (in thousands of dollars)	2023			2022		
	Performing (Stage 1 & 2)	Impaired (Stage 3)	Total	Performing (Stage 1 & 2)	Impaired (Stage 3)	Total
Residential mortgages	50	1,477	1,527	(246)	257	11
Commercial loans and leases	1,268	930	2,198	2,729	(2,419)	310
Personal loans	157	344	501	(6)	224	218
Total loans and advances to members	1,300	1,767	3,067	2,477	(1,938)	539

	2023	2022	Change (\$)	Change (%)
Provision for (recovery of) credit losses	3,066	539	2,527	468.8%
Net write-offs	168	58	110	189.7%
			-	

	2023	2022	Change (%)
Provision for (recovery of) credit losses as % of average loans	0.07%	0.01%	0.06%
Net write-offs as % of total loans	0.00%	0.00%	0.00%

Total & average loans balance excludes accrued interest, allowance for credit losses, and deferred broker and mortgage fees

The provision for credit losses expense in 2023 was driven primarily by an increase in provision for performing as well as impaired loans. Provision for credit losses on performing loans increased by \$1.3 million, a result of the elevated rate environment and uncertain economic outlook. Provision for credit losses on impaired loans added \$1.8 million, a result of the flow through impact of increased borrowing costs for consumers and businesses. The credit quality of our lending portfolio is strong, and the net write-offs remain low at \$0.2 million in 2023.

BlueShore uses a three-stage model for impairment based on changes in credit quality since initial recognition. Management applies judgement to incorporate multiple forward-looking scenarios in the determination of the Expected Credit Loss (ECL). The ECL is sensitive to the changes in economic forecasts. For additional details, refer to Note 4 and Note 9 of the Consolidated Financial Statements and the Credit Quality section of the MD&A.

Fee, Commission and Other Income

Fee and commission income and other income (in thousands of dollars)	2023	2022	Change (\$)	Change (%)
Fee and commission income				
Account services fees	3,601	3,713	(112)	(3.0%)
Commission	12,754	12,332	422	3.4%
Lending charges	4,229	5,188	(959)	(18.5%)
	20,584	21,233	(649)	(3.1%)
Other income	2,409	779	1,630	209.2%
Total fee, commission and other income	22,993	22,012	981	4.5%

BlueShore's total fee, commission and other income increased by \$1.0 million or 4.5% to \$23.0 million in 2023, from \$22.0 million in 2022.

Other income increased by \$1.6 million from a one-time gain on sales from the disposition of two non-branch properties and the commission income from wealth management increased by \$0.4 million or 3.4%. These increases were offset by a decrease of \$1.0 million or 18.5% in lending charges due to continued slowdown in the Greater Vancouver housing market.

Non-Interest Expenses

Non interest expenses (in thousands of dollars)	2023	2022	Change (\$)	Change (%)
Salary and employee benefits				
Salaries, commissions, and bonuses	45,141	44,566	575	1.3%
Benefits	4,058	4,264	(206)	(4.8%)
Pension costs	3,457	3,907	(450)	(11.5%)
	52,656	52,737	(81)	(0.2%)
General and administrative expenses	22,788	23,299	(511)	(2.2%)
Building and occupancy				
Amortization	6,615	6,268	347	5.5%
Occupancy	2,919	3,277	(358)	(10.9%)
	9,534	9,545	(11)	(0.1%)
Non interest expenses	84,978	85,581	(603)	(0.7%)

Non-interest expenses decreased by \$0.6 million or 0.7% to \$85.0 million in 2023, from \$85.6 million in 2022.

BlueShore has 374 employees in branches and offices across the Greater Vancouver area. Salaries and employee benefit expenses remained stable year-over-year marginally decreasing by \$0.1 million or 0.2%.

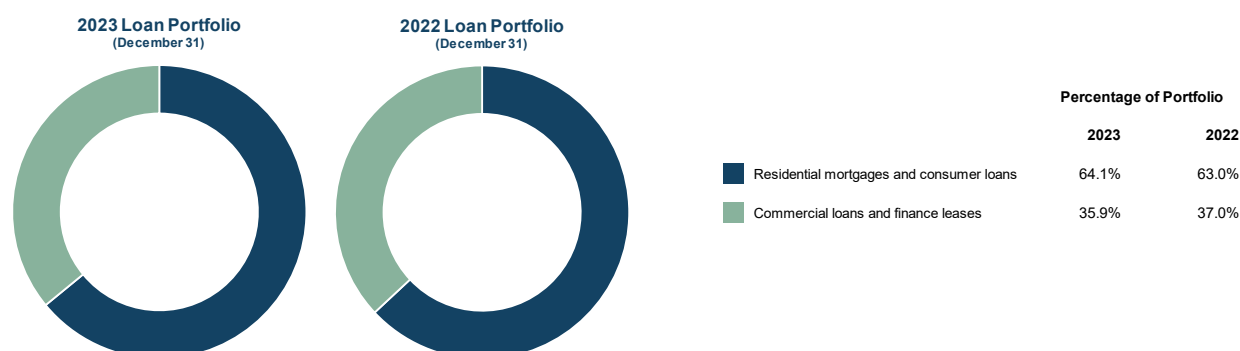
General and administrative expenses decreased by \$0.5 million or 2.2% as BlueShore focused on cost management while continuing investments in technology to enhance the digital experience for our clients. Note 11 of the consolidated financial statements provides a complete analysis of our capital expenditures and dispositions.

Loan Portfolio

Loan Portfolio (in thousands of dollars)	2023	2022	Change (\$)	Change (%)
Residential mortgages and consumer loans	2,909,811	2,874,001	35,810	1.2%
Commercial loans and finance leases	1,632,873	1,684,977	(52,104)	(3.1%)
Total loans*	4,542,684	4,558,978	(16,294)	(0.4%)

*Balances exclude accrued interest, allowance for credit losses, broker and commitment fees

BlueShore's loan portfolio decreased marginally by \$16.3 million or 0.4% to \$4.54 billion in 2023 from \$4.56 billion at the end of 2022. Despite the slowdown in the Greater Vancouver real estate market, we continued to support our clients in their personal and business goals across our portfolios.



Residential mortgages and consumer loans comprise 64.1% of BlueShore's loan portfolio, up from 63.0% in 2022, reflecting growth in this category. Residential mortgages and consumer loans increased by \$35.8 million or 1.2% to \$2.91 billion in 2023. Commercial loans and leases make up the remaining 35.9% of our loan portfolio, down from 37.0% in 2022. Commercial loans and leases decreased by \$52.1 million or 3.1% in 2023 to \$1.63 billion, down from \$1.68 billion at the end of 2022.

Credit Quality / Allowance for Credit Losses

Credit Performance				
(in thousands of dollars)	2023	2022	Change (\$)	Change (%)
Total loans	4,542,684	4,558,977	(16,293)	(0.4%)
Total allowance for credit losses	14,864	11,965	2,899	24.2%

	2023	2022	Change (%)
Total allowance for credit losses as % of total loans	0.33%	0.26%	0.07%

Total & average loans balance excludes accrued interest, allowance for credit losses, and deferred broker and mortgage fees

BlueShore utilizes an expected credit loss (ECL) model, which requires the recognition of credit losses based on 12 months of expected losses for performing loans (Stage 1) and recognition of lifetime losses on performing loans that have experienced a significant increase in credit risk since origination (Stage 2). Credit impaired assets requires lifetime losses (Stage 3).

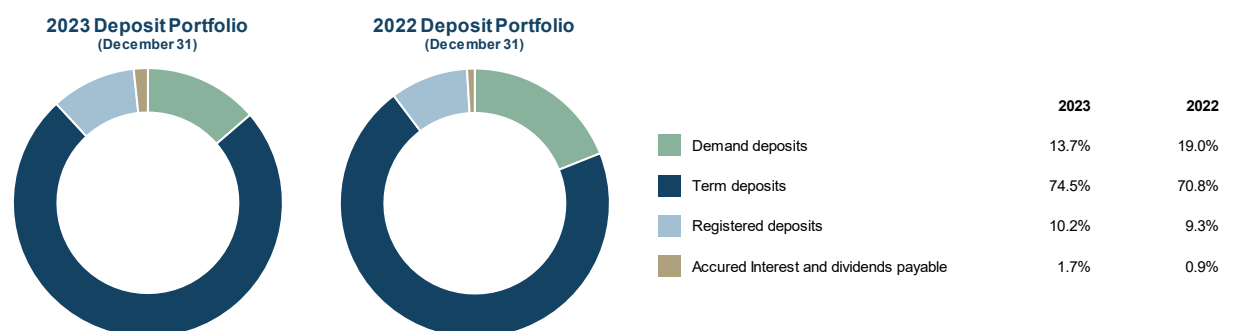
The determination of a significant increase in credit risk takes into account many different factors and varies by loan product and risk segment, which requires management to exercise judgment. The calculation of ECL also includes incorporation of forecasted economic conditions. The ECL model incorporates specific macroeconomic variables that are relevant to each specific portfolio. The ECL incorporates multiple probability-weighted forward-looking scenarios in the determination of the ECL allowance. The allowance is sensitive to changes in economic forecasts and the probability-weight assigned to each forward-looking scenario.

BlueShore's allowance for credit losses at year end as a percent of total loans was 0.33%, up from 0.26% at the end of the same period last year. Reflecting the uncertain future outlook, our allowance for credit losses increased \$2.9 million or 24.2% to \$14.9 million. The allowance for credit losses is adequate based on our analysis of the loan portfolio as of December 31, 2023. Note 9 of the consolidated financial statements provides a complete analysis of our allowance for credit losses.

Member Deposits

Member Deposits				
(in thousands of dollars)	2023	2022	Change (\$)	Change (%)
Demand deposits	691,977	881,551	(189,574)	(21.5%)
Term deposits	3,766,924	3,291,229	475,695	14.5%
Registered deposits	514,682	433,969	80,713	18.6%
Accrued Interest and dividends payable	85,233	43,229	42,004	97.2%
Member Deposits	5,058,816	4,649,978	408,838	8.8%

Member deposits increased by \$408.8 million or 8.8% to \$5.1 billion as of December 31, 2023, compared to \$4.6 billion in 2022. Term deposit growth of \$475.7 million or 14.5% was partially offset by demand deposit runoff of \$189.6 million or 21.5%.

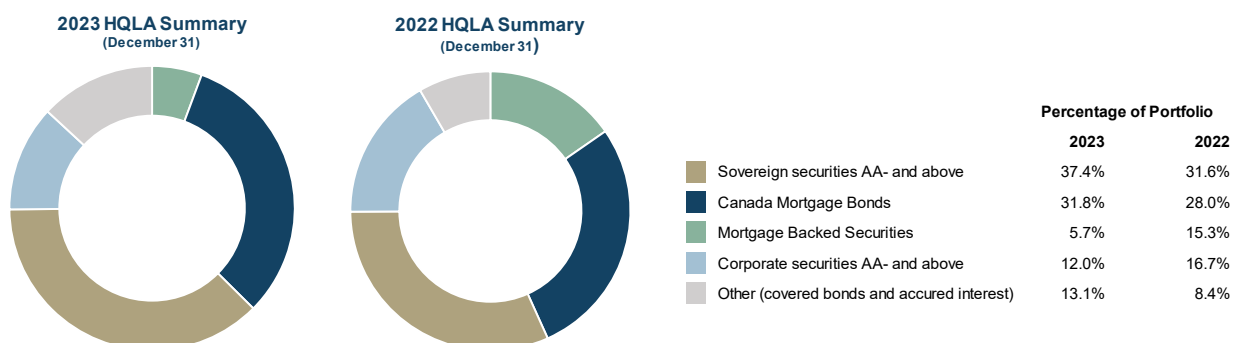


Demand deposits comprised 13.7% of our deposit portfolio at the end of 2023, down from 19.0% at the end of 2022, while term deposits increased to 74.9% of the portfolio, up from 70.8% in 2022.

Liquidity

Under the Financial Institutions Act (FIA), credit unions are required to maintain liquid assets of not less than 8.0% of their aggregate deposit and other debt liabilities balances. At December 31, 2023, BlueShore's operating liquidity was at 19.9% with additional available borrowings of \$254.0 million in contingent liquidity.

BlueShore maintains its statutory liquidity requirement by investing directly in marketable securities that qualify as High Quality Liquid Assets (HQLA). The HQLA are held in a trust, with BlueShore as the beneficiary, Central 1 as the trustee, and Credential Qtrade Securities Inc. as the investment manager.



The chart above provides a breakdown of the HQLA held within the trust on behalf of BlueShore. HQLA can be easily and immediately converted into cash at little or no loss of value.

Capital

Regulatory Capital (in thousands of dollars)	2023	2022	Change (\$)	Change (%)
Regulatory capital				
Total primary capital	286,764	319,996	(33,232)	(10.4%)
Total secondary capital	76,190	73,289	2,901	4.0%
Deductions from capital	(7,563)	(7,670)	107	(1.4%)
Capital base	355,391	385,615	(30,224)	(7.8%)
Total risk weighted assets	2,639,995	2,739,503	(99,508)	(3.6%)
	2023	2022		Change (%)
Capital adequacy ratio	13.5%	14.1%		(0.6%)

The capital adequacy ratio is calculated by dividing the capital base by risk weighted assets. The capital base includes primary and secondary capital net of deductions. Primary capital is comprised of the more permanent components of capital and consists primarily of retained earnings and equity shares. Secondary capital consists primarily of subordinated debt and system retained earnings. The risk weighted assets are determined using prescribed rules from British Columbia Financial Services Authority (BCFSA), regulator for BC credit unions, relating to on and off-balance sheet exposures and calculated by multiplying the exposure amount by the relevant risk weight for the type of asset or loan.

As of December 31, 2023, BlueShore's capital adequacy ratio was 13.5%, down from 14.1% in 2022 mainly due to reduction in the capital base. Primary capital reduced by \$33.2 million due to reduction in retained earnings from the net loss for the year. The risk weighted assets declined by \$99.5 million, due to a decrease in the commercial loan portfolio and related concentration risk adjustments. The decrease in the capital adequacy ratio reflects the net impact of a larger proportionate decrease in the capital base versus the risk weighted assets.

The Credit Union's capital adequacy ratio was in compliance with both the regulatory and supervisory requirements at all times in 2023 and 2022.

Lines of Business Performance

Core Banking

With over 80 years' experience, BlueShore's commitment is to align with our clients' aspirations by offering a comprehensive range of financial services, within our boutique Financial Spa® environment.

Despite the challenges posed by the prevailing elevated interest rates, BlueShore remains unwavering in our commitment to support clients. Our retail lending portfolio experienced an increase of \$35.8 million or 1.2% in 2023 and continued to provide expert advice and support to help our clients.

All BlueShore Financial branches create opportunities to provide our five-star client service, engage in productive in-person and virtual financial conversations, foster strong relationships, and offer expert solutions to help our clients meet their financial goals. In response to evolving client needs, BlueShore introduced the BlueShore Wellness Bundle, enhancing our client offerings with a focus on digital wellness.

Independent research conducted by Ipsos demonstrates BlueShore consistently outperforms other financial institutions with respect to overall value. Notably, 84% of BlueShore clients agreed that "my financial institution helps me improve my overall well-being," compared to 72% at other financial institutions. Our advisors are valued for their recommendations, knowledge, and experience.

BlueShore's commitment to digital transformation was maintained throughout the year, resulting in the launch of new services to support our clients such as our Digital Vault solution. Looking ahead to 2024, technology will remain a focal point for the Credit Union as we continue to enhance our clients' user experience.

Commercial

BlueShore's Commercial Group continues supporting the overall financial well-being of our business clients. In 2023, our commercial lending and leasing portfolio contracted by \$52.1 million or 3.1%. Our focus continues on actively managing our lending portfolio while seeking the right opportunities to support the growth and success of our clients in the communities we serve.

The commercial team at BlueShore possesses in-depth knowledge of the local economic and business landscape and is able to offer responsive turnaround times, competitive rates and flexible terms tailored to meet the diverse needs of our clients including those in commercial and multi-use real estate and industrial developments. Our suite of offerings extend to financing for land development and new construction, addressing the unique requirements of owner-occupants, investors and real estate developers.

Serving entrepreneurs, incorporated businesses, partnerships, clubs and associations, and self-employed individuals, the commercial team provides a comprehensive array of products including demand and term deposits, operating loans, commercial mortgages and cash management services. Client referrals to our BlueShore expert partners are also provided for all personal banking needs, including wealth management, insurance and financial planning.

Wealth Management

BlueShore's Wealth Management business plays a key role in helping our clients achieve financial wellness by creating unique wealth management plans to meet both financial goals and personal aspirations.

In 2023, Wealth Assets Under Administration experienced a robust growth, increasing by \$171.3 million or 11.3%, including net sales of \$23.0 million. As at December 31, 2023 Wealth Assets Under Administration were \$1.7 billion (2022, \$1.5 billion).

Risk Management

BlueShore Financial is committed to a proactive risk management approach to safeguard our financial stability and ensure long-term sustainability. The Board of Directors, Executive Management and specialized risk committees govern our risk management framework and ensures integrated risk oversight at all organizational levels.

Prudent risk management is essential to enable an effective strategy, and our Risk Appetite Framework allows our Board of Directors to determine the level and type of risks BlueShore can take to support the execution of our strategy.

To ensure adherence to our risk appetite and tolerances, we have a Risk Management Committee led by the Chief Risk Officer, consisting of executive leadership and senior leadership team members and providing oversight of the enterprise wide risk management program; a structured, consistent and continuous program across the organization for identifying, assessing, managing and reporting on the significant risks in the business.

Credit risk is managed through prudent lending practices, while market risk is addressed with hedging strategies and interest rate risk management. Liquidity risk is mitigated by maintaining high-quality liquid assets and contingency funding plans. Operational risk is minimized through internal controls, regular audits and comprehensive disaster recovery plans.

We ensure compliance with all regulatory requirements through regular reporting, independent audits and monitoring of regulatory changes. Our risk culture promotes awareness, proactive risk identification, accountability and ethical behavior, reinforced by continuous education and training programs. This comprehensive approach to risk management allows us to navigate financial complexities while protecting the interests of our clients.

Judgements and Estimates

BlueShore's significant accounting policies are outlined in Note 3 to the consolidated financial statements.

The preparation of financial statements in accordance with IFRS Accounting Standards requires the use of certain critical accounting estimates and requires Management to exercise its judgement in applying BlueShore's accounting policies.

Changes in assumptions may have a significant impact on the consolidated financial statements in the period during which these assumptions are changed. The table below outlines the principal areas involving a higher degree of judgement or complexity and/or significant estimates. For a more in-depth discussion on Management's use of estimates and judgements, refer to Note 4 of the consolidated financial statements.

Item	Further Relevant Information	
	Consolidated Financial Statements	Management Discussion & Analysis
Allowance for credit losses	Note 9	Credit Quality / Allowance for Credit Losses
Fair value of financial instruments	Note 5(g)	
Securitizations and derecognition of transferred financial instruments	Note 16	
Retirement benefit liability	Note 18	
Income taxes	Note 24	

Future Changes to Accounting Policies

There are no standards issued by the International Accounting Standards Board (IASB) effective as of December 31, 2023 that are expected to materially impact BlueShore's future financial statements.

Executive Leadership

Executive Background

Ian Thomas, President and Chief Executive Officer (CEO) (Joined November 14, 2023)

Ian is a values-led and people-centric executive with a proven track record of driving solid financial results, setting strategy, developing empowered teams and delivering a differentiated client experience. He has over 20 years of experience as a senior leader, with deep knowledge in areas of strategy development, risk management, retail and business banking, wealth management and commercial lending.

A champion of the Canadian credit union system, Ian is a Board member of the Credit Union Central of Canada (CUCC) and previously served as CEO of Kindred Credit Union in Ontario. Prior to that, he held several executive roles during his 10 years at Coast Capital Savings including as Chief Risk Officer, Vice-President Retail and Wealth and Chief Member Experience Officer, in addition to his extensive risk advisory experience at Deloitte.

Ian holds an MBA (Honours) from the University of Calgary and a BA in Communications and Business from Simon Fraser University. In addition, he holds an Institute of Corporate Directors Designation (ICD.D) and a Diploma of Strategy and Innovation from MIT.

Armita Alikhani, Chief Marketing and Strategy Officer (CMSO)

Armita has strategic and operational oversight of brand stewardship, research, strategic planning, products and partnerships, employee and corporate communications, community impact and ESG strategy. She is focused on driving BlueShore's core purpose of passionately improving our clients' financial well-being in an interconnected digital world, and on promoting BlueShore's exceptional client experience and deep financial expertise. Armita works with the CEO to lead strategy development and oversees the success of enterprise wide projects.

Armita has over 20 years of experience in a variety of industries including financial services and technology. Throughout her career, she has led numerous strategic marketing and corporate initiatives for organizations such as Aviso Wealth, Microsoft Canada, Avaya and FINCAD, in house and on the agency front. She holds a BA in Communications and Political Science from Simon Fraser University and is completing her MBA from the Edinburgh Business School. Armita is deeply committed to community giving and has contributed to a number of organizations serving as a Board member for Dress for Success Vancouver and the SFU Alumni Association.

Deborah Best, Chief Human Resources Officer (CHRO)

With more than 25 years of Human Resources experience across a wide scope of business lines within financial services, Deb oversees the strategic planning and execution of all facets of Human Resources at BlueShore including culture, recruitment, talent management, employee advisory services, compensation, benefits, rewards, learning and leadership development.

Along with her BA in Psychology (University of Manitoba) and Master of Science in Management (Geis School of Business), Deb holds the designation of Chartered Professional in Human Resources (CPHR), Certified Compensation Professional (CCP) and Global Remuneration Professional (GRP).

Ezekiel Chhoa, Chief Risk Officer (CRO)

Ezekiel oversees enterprise-wide strategic management of risk. As a member of the Executive Leadership Team, he works with his peers to set the overall strategic tone while leading an independent, stand-alone risk management function.

Ezekiel has 20 years of experience in the financial services industry. Prior to joining BlueShore, he held a variety of senior roles at HSBC Bank. In 2008, he moved to Geneva to lead a global cybersecurity team for HSBC Private Bank. Ezekiel returned to Canada in 2010 to roll out an enterprise risk management program, and later was instrumental in implementing a vast financial crime and regulatory compliance change program for HSBC Bank Canada. His expertise was called upon to provide feedback to OSFI as the regulator was contemplating financial crime best practices, and he has worked on a number of OSFI regulatory exams. In addition to OSFI, his career has led him to work with a number of regulators including FINMA in Switzerland, the OCC and DOJ in the US, and most recently the BCFSA in Canada. Ezekiel believes in the good of social impact and has served on the Boards of community organizations. He holds a Bachelor of Business Administration from Simon Fraser University and a Master's degree from the University of Manchester.

Fred Cook, Chief Information Officer (CIO)

With more than 20 years of senior management experience, Fred provides strategic direction to the Information Technology Solutions, Corporate Business Solutions, and Facilities departments. He leads the planning, design and implementation of technology solutions and standards, helping to position BlueShore Financial as a credible innovator in the financial services marketplace. Fred also oversees the development and evolution of BlueShore Financial's innovative Financial Spa® branch design concept. The integration of technology, administrative processes and facility design concepts ensures BlueShore Financial's signature client experience.

Fred is a past Director and Board Chair of The Exchange Network, and has served on the Hewlett Packard Canada Executive Advisory Board. Fred has also been a blog contributor for Bank Systems and Technology and served on their Readers Advisory Board. He was recently appointed by the Central 1 Board to serve on the C1 Technology Committee and currently leads the Temenos-Microsoft Global Peer Group. Fred and BlueShore's Technology Department have been recognized for their innovative work in a number of enterprise business software applications.

Diane Dou, Chief Experience Officer (CXO) (Joined February 6, 2023)

Diane is responsible for leading the strategy and operations of BlueShore's branch network, Solution Centre and Wealth Management lines of business.

She has served in a number of C-Suite roles with leading global and regional financial institutions, including Ernst & Young Canada, HSBC Investment Funds Canada, HSBC Personal Banking and Wealth Management Canada, and Prospera Credit Union. Diane holds an Institute of Corporate Directors Designation (ICD.D), an MBA in Global Asset and Wealth Management and a BSc in Computer Science.

Chris Catliff, President and Chief Executive Officer (CEO) (Retired September 30, 2023)

Chris' devoted his career to building better credit unions through technology and data analytics. He joined BlueShore Financial in 2000 and led a successful rebranding, technological innovation and strong organic growth strategy.

Previously, Chris held executive positions at Vancity and Citizens Bank where his responsibilities included corporate affairs, credit, treasury, technology, branches and strategy. He has served on over 30 boards including Aviso Wealth Inc., the CUMIS Group, Canadian Northern Shield Insurance, Pacifica Mortgage Investment Corp. and the Filene Research Council. He holds a Master's degree from UBC, the ICD.D designation from the Institute of Corporate Directors and Director qualifications from the Canadian Securities Institute.

Richard Butterworth, Chief Financial Officer (CFO) (Left November 2, 2023)

Richard joined BlueShore Financial as CFO in 2017, and was responsible for leading the organization's Finance, Treasury, Legal, Governance and Group Businesses (Commercial Services, Broker Services, BlueShore Capital Corp. and Credit).

Prior to joining BlueShore, Richard was the COO Canada and EVP North America at Hogg Robinson Group, the EVP Canadian Operations at Brookfield Global Relocation Services, and most recently CEO and Ultimate Designated Person (UDP) at Wolverton Securities. Richard grew up in the U.K. and became a member of the Institute of Chartered Accountants in England and Wales, and holds a B.A. Honours in Accounting and Finance from Liverpool John Moores University.

Executive Compensation Governance

CEO and executive compensation is overseen by the Human Resources & Compensation Committee (HRCC) of the Board of Directors. The HRCC brings compensation matters to the full Board for information or approval as appropriate, and retains independent compensation expertise to provide advice on the elements, structure and amount of CEO compensation. The committee makes recommendations to the Board about:

- The CEO's total compensation philosophy
- Total compensation for the CEO
- Structure and plan design for key elements of compensation
- The CEO's performance against objectives

The Board reserves the right to apply informed judgment to reduce or increase the amount of the CEO's incentive payouts.

The HRCC also reviews, and approves as appropriate, the CEO's recommended structure and plan design for material elements of compensation for other members of the Executive Leadership Team.

Executive Compensation Philosophy

Guided by our Purpose to create financial well-being in a digitally connected world, our approach to total rewards, including executive compensation, is based on five guiding principles:

1. Sustainable and defensible design;
2. Aligned with BlueShore's core purpose, values, strategic objectives and broader societal impacts
3. Competitive to attract and retain exceptional talent to serve BlueShore's interests
4. Motivating toward a high-performance culture
5. Flexible to reflect the diverse needs of employees, and evolving business environment

These principles are applied across the BlueShore Financial total reward package, comprised of cash compensation including base pay plus short and long-term incentives and other benefits such as health and wellness plans, perquisites, retirement income, time off and work-life programs.

BlueShore Financial's package is designed to:

- Attract and retain executive talent with the capabilities, experience and aligned values, critical to leading our differentiated strategy
- Reward achievements through pay-for-performance, recognizing both near-term and long-term exceptional results on behalf of BlueShore Financial's members
- Reflect sound risk management principles such that there is an appropriate balance of business risk and reward aligned with member interests, foundationally abiding by code of conduct and risk management practices
- Facilitate transparency between plans, action and outcomes throughout the year

Industry Positioning and Comparator Groups

Market comparator groups are drawn from selected Canadian financial services organizations that together represent a marketplace where BlueShore Financial would potentially compete for talent. These organizations are primarily credit unions and banks, with relevant adjustments for size of the organization and scope of the respective executive roles. The sources of the market data include Central 1 and Korn Ferry, supplemented by specific consulting engagements or sources, as needed.

BlueShore Financial benchmarks total cash compensation at the median of the market, recognizing that there are differences in compensation practices and structures between credit unions and the publicly traded financial services organizations.

BlueShore's specific position relative to each comparator group will vary.

Chief Executive Officer Performance and Pay Review

Pay-for-performance is a key element of BlueShore Financial’s compensation philosophy. In addition to base salary, the CEO’s compensation program includes cash incentive programs that tie pay to performance on both short- and long-term goals.

Components of CEO Compensation - Chris Catliff

Base Salary	Chris Catliff’s base salary earnings were \$353,135 for 2023 (annual salary \$458,667).
Short-Term Incentive Program	The CEO participates in a Short-Term Incentive (STI) program that rewards performance against pre-defined objectives. This is the same program that most other employees participate in, our Performance Rewards Program. Payments under the STI plan are contingent on achieving a threshold level of performance. For 2023 performance, the CEO’s STI was nil, which represents 0% of base salary.
Long-Term Incentive Program	The CEO participates in a Long-Term Incentive (LTI) program intended to align his interests with the long-term strategy of the organization. The LTI program is a rolling three-year plan. Every year, specific measures and targets are established for each of the next three years. The payout reflects the CEO’s performance over of the previous three years. The CEO’s LTI payout for 2023 was nil, which represents 0% of base salary.
Benefits and Perquisites	The CEO participates in BlueShore’s Flexible Benefits Program with the same terms offered to all employees. Additional benefits and perquisites are also provided, including an annual preventative health assessment, which benefits both BlueShore and the CEO.
Retirement Income Programs	The CEO participates in a Defined Contribution Supplemental Executive Retirement Program (SERP). He receives 12.5% of earnings (current year base salary plus prior year STI, which is received in the current year) contributed to his pension each year. SERP contributions for 2023 were \$68,685. The CEO also has a Defined Benefit Individual Pension Program (IPP). The CEO is personally responsible for funding the contributions related to his past service. The contribution for current service is funded through a transfer of funds from his SERP.
Termination Benefits	The CEO’s employment contract stipulates that if his employment is terminated for cause, no notice, salary, bonuses or benefits are owed to him. If his employment is terminated without cause, a 24-month severance package (including salary, bonus and benefits) is owed to him.

Summary Compensation Table - Chris Catliff, CEO (Retired)

The following table presents target total cash compensation for BlueShore’s retired CEO, Chris Catliff, for January 1 to September 30, 2023 at target levels of performance.

Base Salary	STI	LTI	Target Total Cash
\$353,135	\$158,911	\$194,224	\$706,270

The following table presents actual total cash compensation for BlueShore’s retired CEO, Chris Catliff, for actual 2023 performance.

Base Salary	STI	LTI	Total Cash
\$353,135	\$0	\$0	\$353,135

In addition to the amounts shown, the CEO was paid a contractual retiring allowance of \$399,040.

CEO Performance in 2023 for Chris Catliff

Chris Catliff transitioned into retirement on September 30, 2023, having lead the credit union for 23 years. During his transition, he provided support to the organization to ensure continuity of the BlueShore differentiated proposition and focus on organizational deliverables for our clients, employees and digital transformation.

Components of CEO Compensation - Ian Thomas

Base Salary	Ian Thomas's base salary earnings were \$58,192 for 2023 (annual salary \$445,000).
Variable Pay Plan	The CEO participates in a variable pay plan that rewards short and long term performance against predetermined corporate and individual objectives. There were no payments under this program for 2023.
Benefits and Perquisites	The CEO participates in BlueShore's Flexible Benefits Program with the same terms offered to all employees. Additional benefits and perquisites are also provided, including an annual preventative health assessment, which benefits both BlueShore and the CEO.
Retirement Income Programs	The CEO participates in the Money Purchase Pension Plan same as other employees. Contributions from BlueShore are a maximum of 6% of base salary. The CEO is also eligible to participate in a Defined Contribution Supplemental Executive Retirement Program (SERP) which is an unfunded, non-contributory plan that provides a pension benefit for annual earnings (current year base salary plus prior year paid short term variable pay) that exceed government limits set by the Income Tax Act. There was no notional amount accrued in 2023.
Termination Benefits	The CEO's employment contract stipulates that if his employment is terminated for cause, no notice, salary, bonuses or benefits are owed to him. If his employment is terminated without cause within the first two years, a 12-month severance package (including salary, bonus and benefits) is owed to him. After two years, one additional month's notice for each additional year completed after the first two years, up to a maximum of 18 months.

Summary Compensation Tables - Ian Thomas, CEO

The following table presents actual total cash compensation for BlueShore's new CEO, Ian Thomas, for November 14 to December 31, 2023.

2023 Actual CEO Total Cash Compensation - Ian Thomas

Base Salary	STI	LTI	Total Cash
\$58,192	\$0	\$0	\$58,192

As part of Ian Thomas' total compensation package, in addition to the amounts shown, he was paid a signing bonus of \$50,000 in 2023.

CEO Performance in 2023 for Ian Thomas

Ian joined BlueShore Financial on November 14, 2023. Since joining, his focus has been to build strong relationships with our leadership team, employees, and key external and internal stakeholders, whilst evaluating the organization's strengths and arising needs. Working very closely with the Board of Directors, Ian has embarked on a comprehensive strategic review relative to industry and economic trends.

Initial progress is yielding positive results through improved communication channels and a renewed sense of purpose. Looking ahead, he is directionally leading toward sustainable growth, and fostering a dynamic workplace to deliver long-term value to our clients and communities. BlueShore is actively exploring merger opportunities that align with strategic goals and are in the best interest of BlueShore's members, employees and community.



Other Compensation Policies and Practices

The CEO establishes compensation for the other executives, in accordance with the executive compensation philosophy described above, under the oversight of the HRCC of the Board of Directors. On an annual basis, the CEO advises the HRCC of the other executives' compensation adjustments, including the rationale based on performance and market data.

The compensation, benefits and perquisite packages received by executives are consistent in form with that of the former CEO, although the specific amounts differ. Salaries and variable pay targets are set based on the median of the market for total compensation (base, STI and LTI) within the comparator group. Variable pay is awarded based on achievement of pre-established performance objectives. Any variable pay awards are contingent on Board approval, and no awards were granted for 2023 short- and long-term performance.

BlueShore has a total reward (compensation) philosophy and principles, which apply to all employees including executive roles. Job rate (base salary for a fully competent performer) and variable pay target incentives are established based on the median of the market. Our comparator group includes financial services for roles that are specific to that industry and the general market in BC for other roles that are non-industry specific.

A key tenet is that BlueShore believes in providing wages that are not only market-competitive but also ensure a reasonable standard of living for all employees. Various compensation surveys are used to evaluate the competitiveness of salary ranges against the BC market. We target the median of the market for base salary ranges, with differences by individual based on performance against competencies set by role.

All employees participate in the corporate incentive program (Variable Reward Program) except those with individually-based or commission-driven incentive plans. Variable Reward Program payouts are annual and vary based on performance against corporate and individual goals established at the beginning of the performance year. The goals are designed to individual efforts with the corporate objectives, and move the organization forward through results, innovation, risk management and/or operational efficiencies. Target payout percentages are set to the median of the market. Corporate objectives approved by the Board are then cascaded to all employees including executives.

Employees also receive a competitive benefits package that includes health insurance, dental insurance, employee and family assistance, life insurance, accidental death and dismemberment insurance, tuition and educational assistance. Short-term and long-term disability insurance are employee funded. BlueShore provides employees a Defined Contribution (DC) plan in which the organization contributes 4% of the employee's earnings to the plan and will match employee contributions on a 50% matching basis up to an additional 2%.

Some employees continue to participate in the BC Credit Union Employees' Defined Benefit Pension Plan (a multi-employer plan), which closed to new hires as of October 2023. Employees who joined BlueShore prior to October may still chose the DB plan as long as they make the choice by their one year anniversary. The plan includes contributions by both the employee and the organization. Note 18 of the Consolidated Financial Statements describes the health and funded level of the DB pension plan.

Report of the Independent Auditors on the Condensed Consolidated Financial Statements

To the members of BlueShore Financial Credit Union

Opinion

The condensed consolidated financial statements of BlueShore Financial Credit Union (the “Credit Union”), which comprise:

- the condensed consolidated statement of financial position as at December 31, 2023;
- the condensed consolidated statement of income (loss) and other comprehensive income (loss) for the year then ended;
- and related note

are derived from the audited consolidated financial statements of BlueShore Financial Credit Union as at and for the year ended December 31, 2023.

In our opinion, the accompanying condensed consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements, in accordance with the criteria disclosed in Note 1 in the condensed consolidated financial statements.

Condensed Consolidated Financial Statements

The condensed consolidated financial statements do not contain all the disclosures required by IFRS Accounting Standards. Reading condensed consolidated financial statements and the auditor’s report thereon, therefore, is not a substitute for reading the Credit Union’s audited consolidated financial statements and the auditor’s report thereon.

The condensed consolidated financial statements and the audited consolidated financial statements do not reflect the effects of events that occurred subsequent to the date of our report on the audited consolidated financial statements.

Management’s Responsibility for the Condensed Consolidated Financial Statements

Management is responsible for the preparation of the condensed consolidated financial statements in accordance with the criteria disclosed in Note 1 in the condensed consolidated financial statements.

Auditor’s responsibility

Our responsibility is to express an opinion on whether the condensed consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements based on our procedures, which were conducted in accordance with Canadian Auditing Standards 810, Engagements to Report on Summary Financial Statements.



*Chartered Professional Accountants
Vancouver, Canada
March 13, 2024*

Financial Results

Condensed Consolidated Statement of Financial Position as at December 31, 2023 with comparative information for 2022 (in \$000's)

	2023	2022
ASSETS		
Cash and cash equivalents	\$ 352,395	\$ 260,964
Investments	698,094	480,769
Derivatives and other financial assets	6,813	5,775
Loans	4,539,375	4,556,825
Premises and equipment	59,554	65,503
Intangible assets	7,563	7,670
Other assets	20,939	8,335
Total assets	\$ 5,684,733	\$ 5,400,813
LIABILITIES		
Member deposits	\$ 5,058,816	\$ 4,649,978
Borrowings and debt liabilities	318,008	408,833
Accounts payable and accrued liabilities	17,565	22,508
Other liabilities	23,660	35,555
MEMBERS' EQUITY		
Equity shares	50,424	52,411
Retained earnings	237,853	268,798
Accumulated other comprehensive loss	(21,593)	(37,270)
Total liabilities and members' equity	\$ 5,684,733	\$ 5,400,813
Total assets under administration	\$ 7,412,929	\$ 6,977,965

Condensed Consolidated Statement of Income (Loss) and Other Comprehensive Income (Loss) for the year ended December 31, 2023 with comparative information for 2022 (in \$000's)

	2023	2022
Interest income	\$ 229,952	\$ 166,867
Interest expense	199,439	83,484
Net Interest Income	30,513	83,383
Provision for credit losses	3,066	539
Fee, commission and other income	22,993	22,012
	50,440	104,856
Non-interest expenses:		
Salary and employee benefits	52,656	52,737
Building and occupancy	9,534	9,545
General and administrative	22,788	23,299
Net operating income (loss)	(34,538)	19,275
Community investment	120	192
Income tax expense (recovery)	(6,035)	482
Net income (loss)	(28,623)	18,601
Other comprehensive income (loss):		
Items that may be reclassified to net income (loss), net of tax	15,743	(37,188)
Items that will never be reclassified to net income (loss), net of tax	(66)	254
Comprehensive income (loss)	\$ (12,946)	(18,333)

Diana Chan
Chair

Rod Dewar
Audit Committee Chair

Note 1 - Message to Members

The accompanying condensed consolidated financial statements have been prepared, in accordance with Section 128 (4) of the Financial Institutions Act, from the audited consolidated statement of financial position of BlueShore Financial Credit Union as at December 31, 2023, and the consolidated statements of income (loss) and other comprehensive income (loss) for the year then ended. Readers are cautioned that these condensed consolidated financial statements do not include all the disclosures necessary for a complete presentation. Complete audited consolidated financial statements for the year ended December 31, 2023, together with the auditors' report thereon, are available at all BlueShore Financial locations upon request.



Governance Report

BlueShore Financial is governed by a nine-person Board of Directors. These Directors possess a mix of skills, experience and competencies, which is reviewed annually and assessed for any gaps. Their combined expertise guides BlueShore's strategic success.

Governance principles and responsibilities

The Board continually reviews its corporate governance practices to ensure they reflect the highest level of oversight, independence and accountability our members and stakeholders expect and deserve. BlueShore Financial meets or exceeds the principles and standards set out in the BC Financial Services Authority Governance Guideline, which ensures strong governance and risk management practices.

The primary responsibilities of the Board are to:

- Approve and monitor BlueShore's adherence to its risk appetite and policies
- Approve and monitor BlueShore's strategic plan and performance
- Ensure BlueShore's risk governance framework is comprehensive, adequately resourced, forward looking, strategic, effective, diligently monitored and communicated
- Assemble an effective management team. This includes selecting a CEO, monitoring the CEO's performance towards achieving mutually established objectives, and planning for the CEO's succession
- Demonstrate accountability to BlueShore's members and promote disclosure to allow members to engage with BlueShore as owners
- Be proactive in its own recruitment, composition, and performance management

Directors adhere to numerous Board policies, which are reviewed regularly to ensure they reflect current governance practices and regulatory guidance. Directors also review key management policies, such as those pertaining to investment and lending, risk management and whistleblowing to effectively manage the risk profile and performance of the credit union.

Throughout 2023, the Board of Directors conducted an extensive and thorough search process for a new CEO, using the services of a third-party executive search firm. This culminated in the hiring of Ian Thomas as BlueShore Financial's President and CEO. The Board is pleased with their selection, are heavily engaged in the new CEO's onboarding activity and will continue to oversee the CEO's objectives and performance.

Director Education

BlueShore Financial places a strong emphasis on Director learning and development. In 2023, Board education focused around future strategy, client research, cybersecurity and business continuity.

Directors are eligible for reimbursement of certain education expenses, in line with the Director Development and Education Policy. In 2023, Directors also pursued individual education opportunities through CUSource® and Institute of Corporate Directors (ICD), and by attending a number of industry conferences.

Board Evaluation

Individual Director learning plans are reviewed annually by each Director with the Board Chair as part of the Board evaluation and effectiveness process. A formal evaluation is typically conducted annually by a third party, which assesses the performance of the Board overall, including its Committees and the Committee Chairs. The 2022 evaluation was completed in 2023. The 2023 year-end evaluation was deferred. In addition, the Board reviews its performance at the end of every Board meeting without Management present.

Board of Directors: Compensation Discussion and Analysis

2023 Board of Directors

Diana Chan, Chair

Diana is a business owner and former executive in the credit union system, both in BC and nationally. She is a Chartered Professional Accountant with extensive experience in human resources, finance and governance. Diana holds the Institute of Corporate Directors Director designation (ICD.D). Diana received her fellowship from the Chartered Professional Accountants of BC in 2018 and was presented with the Queen's Diamond Jubilee medal in 2012.

Diana is a Director of both the Whistler Housing Authority and the Whistler Community Services Society. Diana has also volunteered with various community boards including YWCA of Metro Vancouver, Whistler Institute for Learning Society and Basketball BC. She served as a trustee of the BC Credit Union Employees' Pension and Benefits Trusts from 2013 to 2015. She holds an Honours degree from the Richard Ivey School of Business at the University of Western Ontario. Diana resides in Whistler.

Lynne Charbonneau, Vice Chair

Lynne Charbonneau is a Vice-President of the World Bank Administrative Tribunal and Adjunct Professor for the University of Calgary Faculty of Law. In addition to serving on the Board of Directors of BlueShore Financial, she serves on the Board of Directors of Inuvialuit Development Corporation, a diversified investment, venture capital and management holding company owned on behalf of the Inuit of Canada's western Arctic. Lynne has served on the boards of several not-for-profit organizations over the last two decades and holds the Institute of Corporate Directors Director designation (ICD.D).

Lynne is past chair of the Board of Directors of Actsafe Safety Association, a worker health and safety organization for the production of motion picture, television, live events and performing arts in British Columbia. In recent years, Lynne has also served on the Futures Task Force of the Law Society of British Columbia and on the Dean's Advisory Committee for the Centre for Business Law at the Peter A. Allard School of Law at the University of British Columbia. From 2005 until 2018, Lynne served as Deputy General Counsel at HSBC Bank Canada. Prior to her time with HSBC, Lynne was a partner of the Canadian national law firm, Fasken Martineau DuMoulin LLP.

Lynne received the 2018 Canadian Corporate Counsel Association (CCCA) Innovation Award for creation of value in a law department, the 2013 Lexpert Zenith Award recognizing her as one of an elite group of "Women Leaders in the Legal Profession" in Canada and a 2008 Lexpert designation as a "Rising Star - Leading Lawyer Under 40". Lynne resides in North Vancouver.

Rod Dewar, Director

Rod Dewar is the former CEO of a \$1.3B credit union and has held Chief Operating Officer and Senior Vice President responsibilities in the financial services, aviation and transportation business sectors. He has extensive banking, insurance, wealth advisory, and fund management experience, and held senior national operations responsibilities for a global airline.

Rod holds the Institute of Corporate Directors Director designation (ICD.D). Current board responsibilities include Director, British Columbia Automobile Association (BCAA) where he Chairs the Audit and Conduct Review Committee and serves on the Human Resources Committee; Board Chair, Consumer Protection BC; Director, E-Comm 9-1-1 and Director, CAA National. He also is Chair of the Advisory Board for Openmined and sits on the Advisory Board of Alitis Investment Council. He is the recent past Chair for Nicola Wealth Management. Other previous board positions include the Victoria Airport Authority, Chair of Credential Financial Inc., Chair of the BC Ferry Authority, Director of NEI Investments, Chair of the Victoria Hospitals Foundation, Fundraising Chair of Canadian Cancer Society, Royal Roads University School of Leadership Studies Advisory Council and Chair of a Canadian PGA golf tournament. He was born and raised in North Vancouver.

Oliver Grüter-Andrew, Director (Elected April 2023)

Oliver is the President and Chief Executive Officer of E-Comm 9-1-1, which answers the over two million 9-1-1 calls made annually by British Columbians. His 30-year business career includes significant experience with information systems management and digital transformation. He held leadership roles in the utility and consumer retail industries, and served in executive positions at the University of British Columbia and the Provincial Health Services Authority prior to his current role.

Oliver has been a governor and volunteer for not-for-profits and social ventures, including 10 years on the Board of the German-Canadian Benevolent Society of B.C. He earned a Bachelor of Science degree from the University of London. Oliver was born and raised in Germany, and lived and worked in the United Kingdom before moving to Vancouver in 1998, where he still resides today.

Peter Leitch, Director

Peter is a Senior Advisor to North Shore Studios and Mammoth Studios after serving as President for over 20 years. He also serves on the board of the Motion Picture Production Industry Association of BC after serving as the Chair for the past 18 years.

Peter earned a Bachelor of Commerce degree from UBC and is a Chartered Professional Accountant. He holds the Institute of Corporate Directors Director designation (ICD.D).

Peter is a former Chair of the North Vancouver Chamber of Commerce and a former Director of the BC Chamber of Commerce. He has also served on Canada Revenue Agency's Small Business Advisory Committee and Film Advisory Committee. Peter was honoured with a fellowship by the Institute of Chartered Professional Accountants of BC in 2009 and was a recipient of the Queen's Diamond Jubilee Medal in 2012. Peter resides in North Vancouver.

Yale Loh, Director (Appointed April 2023)

Yale is a senior member of the administration at The University of British Columbia (UBC), and has extensive financial leadership experience across a wide range of industries and with publicly traded and private companies and public sector entities. Currently Yale is UBC's Treasurer where he has direct responsibility for treasury, tax and the financial planning and analysis functions. Yale also oversees UBC's \$2.8 billion endowment and led the development of UBC's responsible investing framework, which includes a commitment to divest of fossil fuel investments and achieve a 45% reduction in carbon emissions by 2030, together with the publication of UBC's first Task Force for Climate Related Financial Disclosure report.

With over 30 years of global experience in both the capital markets and corporate management, Yale's career spans trading foreign exchange with JP Morgan in New York to progressively senior leadership positions with companies like Aritzia, Finning, Capital Power and BC Hydro. Yale has broad strategic, financial and risk management experience, and was part of the management team that led Aritzia's initial public offering. Yale holds both the Chartered Professional Accountant and Chartered Financial Analyst designations, together with a Masters of Business Administration from the Kellogg Graduate School of Management at Northwestern University and a Bachelor of Commerce from UBC.

Yale is an active member of the community and previously was a member of the Finance Committee at West Point Grey Academy, on the Board at Big Brothers of Greater Vancouver, a member of the United Way of Lower Mainland cabinet and a coach with various community youth sports teams. Yale was born and raised in North Vancouver and currently resides in Vancouver.

Cybele Negris, Director (Resigned April 2023)

Cybele Negris is a successful entrepreneur and CEO and Co-Founder of Webnames.ca, Canada's original .CA registrar. Cybele holds the Institute of Corporate Directors Director designation (ICD.D) and has served on numerous education, not-for-profit, government and corporate boards over the past 15 years. She currently sits on the boards of the Royal Canadian Mint, BCAA and Science World. In addition, she holds the role of Vice-Chair of Science World and Vice-Chair of the Small Business Roundtable of BC and is Chair of the Departmental Audit Committee for Agriculture and Agri-Foods Canada.

Cybele has earned many recognitions for her work and contributions including Hall of Fame of Canada's Top 100 Most Powerful Women, PROFIT W100, BC Business' Most Influential Women in Business and Business in Vancouver's Top 500 Business Leaders, Influential Women in Business and Top 40 Under 40. Most recently, Cybele was inducted into Canada's Marketing, Advertising, PR and Communications Hall of Fame. She speaks at dozens of events each year including TEDx and Level Up Conference. Cybele resides in Vancouver.

Julie McGill, Director

Julie is an experienced private equity and venture capital investor with a track record of bringing together people and resources to successfully scale organizations. She is currently General/Limited Partner in several direct and indirect private equity investment funds. She is focused on using collaborative investment principles to generate outsized returns and power equitable change in capital markets.

Previously, Julie has managed private asset portfolios in both a family office environment and an institutionally backed, top-quartile performing North American buyout fund. Prior to entering private investment, she spent the first decade of her career in professional service firms, moving quickly from an audit to transaction advisory capacity. Through her work investing across a diverse range of both early-stage technology and mature companies, Julie brings a broad spectrum of operational, transactional, capital management and governance experience. Julie is a Chartered Professional Accountant, Chartered Business Valuator and holds the Institute of Corporate Directors Director designation (ICD.D).

Julie sits on a number of private company boards and is an active member of the community. She is past Chair of Central City Foundation and is involved in several local youth and sport organizations. She holds a Bachelor of Commerce degree from McGill University. Julie resides in Vancouver.

Kevin Sandhu, Director (Resigned January 2023)

Kevin Sandhu is a technology and financial services entrepreneur and investor. He is currently a co-founder, investor, advisor and board member to several technology startups and financing companies across North America.

Kevin is a Founder and the CEO of Otter, a financial services platform for self-employed professionals and independent business owners, and was previously the Founder and CEO of Grow Technologies, an enterprise software company empowering financial institutions with digital banking solutions. Prior to founding Grow, Kevin spent a decade in finance with roles in investment banking and private equity.

A serial entrepreneur from a young age, Kevin started his first technology business before completing high school and went on to build several software businesses during university. He holds degrees in Mathematics and Finance from Simon Fraser University and has earned the Chartered Financial Analyst (CFA) designation. Kevin resides in West Vancouver.

Chris Tham, Director

Chris is a seasoned finance executive and has held several leadership positions at organizations in the consumer and hospitality space. Today, Chris is Chief Financial Officer at Arc'teryx, a global leader in the design of high-performance outdoor gear where he leads the Finance functions. Chris was previously the Chief Financial Officer of Bailey Nelson, a multi-national direct-to-consumer eye care brand which he helped scale to over 90 stores.

Prior to that, Chris spent nine years at lululemon, holding a variety of leadership positions including International CFO where he led lululemon's Asia Pacific and EMEA financial operations and SVP Finance, where he led the financial planning, investor relations and indirect procurement functions. Chris has also held senior finance roles at Intrawest, the former owner of Whistler Blackcomb, which he helped take private in 2006.

A born and raised Vancouverite, Chris obtained his Bachelor of Commerce from UBC Sauder School of Business and is a Chartered Professional Accountant. He is also a proud advocate of supporting the community and serves as Board Director and Treasurer of Madrona School Society, an independent school focused on developing and nurturing gifted children to help them reach their full potential. Chris resides in Vancouver.

Victoria Withers, Director

With her extensive business background, Victoria brings years of board governance experience to BlueShore. A senior executive at IBM Canada for 30 years, Victoria held the position of General Manager, Western Canada and upon retirement formed VLW Solutions. At VLW Solutions, she provides consulting services to assist organizations in the development and implementation of technology solutions.

Victoria is currently a Director of the MedicAlert Foundation and has served on the boards of the Pacific Pilotage Authority, Vancouver Coastal Health, the VGH & UBC Hospital Foundation, Canadian Internet Registration Authority, QHR Technologies, Vancouver Board of Trade and Telus World of Science. Victoria holds the Institute of Corporate Directors Director designation (ICD.D) and a Bachelor of Commerce from McGill University. Victoria resides in West Vancouver.



Interlocking Directorships

Interlocking directorships occur when a director sits on more than one board at a time. In Q1-2023, both Rod Dewar and Cybele Negris had a Director Interlock in common, as both were Board Directors of the British Columbia Automobile Association (BCAA). Late in Q4-2023 Rod Dewar was appointed to the Board of EComm911. As Oliver Grüter-Andrew is CEO of EComm911, another common Director Interlock was created.

Director Remuneration

BlueShore recognizes that corporate governance is a key ingredient to our success. Accordingly, there is a need to attract and retain Directors with appropriate expertise and experience, and remunerate them commensurate with their responsibilities, accountabilities and expectations.

In 2022, the Board deferred making any remuneration decisions for 2023. However, after closely monitoring both the external and internal environment, in April 2023, the Board of Directors conducted a remuneration review and in recognition of increased workloads, Director Honorariums were increased in line with past practice and the 12-month average BC CPI in 2022 of 6.9% according to Government data. Typically, BlueShore's Director remuneration will:

- Be set at such a level to be able to attract and retain the experience and expertise that our owners (members) and regulators expect for a financial institution operating in a complex and challenging environment.
- Recognize the workload and exposure to financial, reputational, and legal risks.
- Recognize the different workloads associated with Committee Members, Committee Chairs, the Vice-Chair of the Board and Chair of the Board.
- Broadly align with our comparator group, including similarly sized credit unions in Greater Vancouver, publicly listed companies with revenues of approximately \$100 million annually, and other comparable co-operative organizations.
- Be reviewed biennially by the Governance & Conduct Review Committee of the Board to ensure it adequately compensates Directors for their responsibilities, accountabilities, and expectations. The Committee may review the policy more frequently on an as needed basis.
- Be reported annually in the BlueShore Financial Annual Report.

2023 Director remuneration levels are elevated due to the formation of an Ad Hoc Search Committee to oversee recruitment of the new CEO. In addition, this led to subsequent Board meetings where all Directors engaged in CEO interviews and critical decision making. The Board Chair received additional remuneration related to oversight of the CEO transition.

Annual Honorariums

RESPONSIBILITY	HONORARIUM ¹	HONORARIUM ²
All Directors	\$ 31,244.66 per annum	\$ 33,400.54 per annum
Board Chair	\$ 25,432.31 per annum	\$ 27,187.14 per annum
Board Vice-Chair	\$ 6,360.69 per annum	\$ 6,799.58 per annum
Audit Chair	\$ 6,360.69 per annum	\$ 6,799.58 per annum
HR & Compensation Chair	\$ 6,360.69 per annum	\$ 6,799.58 per annum
Investment & Loan Chair	\$ 6,360.69 per annum	\$ 6,799.58 per annum
Governance & Conduct Review Chair	\$ 4,632.13 per annum	\$ 4,951.75 per annum
Nominations & Election Chair	\$ 4,632.13 per annum	\$ 4,951.75 per annum
Risk Chair	\$ 4,632.13 per annum	\$ 6,799.58 per annum
Committee Member	\$ 2,031.45 per annum	\$ 2,171.62 per annum

¹ Annual honorariums, in effect January 1 – April 31, 2023, which are cumulative and include meeting fees

² Annual honorariums, in effect May 1 – December 31, 2023, which are cumulative and include meeting fees

2023 Board of Directors Attendance and Remuneration

2023 DIRECTORS	Diana Chan Chair	Lynne Charbonneau Vice Chair	Rod Dewar	Oliver Gruter-Andrew (Elected April 2023)	Peter Leitch	Yale Loh (Appointed April 2023)	Julie McGill	Cybele Negris (Resigned April 2023)	Kevin Sandhu (Resigned January 2023)	Chris Tham	Victoria Withers
	CURRENT TERM EXPIRES	2024	2026	2026	2026	2024	2024	2025	2023	2023	2025
DIRECTOR SINCE	2018	2019	2017	2023	2011	2023	2016	2021	2021	2022	2013
MEETING ATTENDANCE											
Board Meetings	17 of 17	17 of 17	17 of 17	15 of 15	17 of 17	15 of 15	16 of 17	2 of 2	0 of 0	17 of 17	17 of 17
Committee Meetings	15 of 15	13 of 13	20 of 21	6 of 6	19 of 19	7 of 7	18 of 18	5 of 5	0 of 0	10 of 10	22 of 22
COMMITTEES (JAN - APR)											
Audit	✓		✓ Chair					✓		✓	
HR & Compensation	✓	✓ Chair					✓				
Investment & Loan		✓	✓				✓ Chair			✓	
Governance & Conduct Review					✓			✓ Chair			✓
Risk	✓ Chair	✓	✓								✓
Nominations & Election							✓	✓			✓ Chair
COMMITTEES (MAY - DEC)											
Audit			✓ Chair				✓			✓	✓
HR & Compensation		✓ Chair	✓	✓			✓				
Investment & Loan		✓				✓	✓ Chair			✓	
Governance & Conduct Review				✓	✓	✓					✓ Chair
Risk	✓	✓	✓		✓ Chair						
Nominations & Election					✓		✓				✓ Chair
Search ¹	✓ Chair		✓		✓						✓
RENUMERATION AND EXPENSES ^{2 3}											
Director Compensation ^{4 5}	83,244	58,295	50,907	29,623	56,695	28,503	54,411	14,222	1,396	39,114	53,524
Education Expenses ⁶	3,139	9,932	-	2,468	2,681	1,034	1,889	-	-	-	-
Miscellaneous Expenses ⁷	5,545	18	11,458	173	-	185	-	80	-	85	179

¹ The Search Committee ran from March to September 2023.

² Directors residing outside of BlueShore's trading areas are eligible for reimbursement of travel and accommodation expenses (included under Miscellaneous Expenses).

³ Directors residing within BlueShore's trading area, but 50 km or more from headquarters, are eligible for reimbursement of automobile mileage expenses to attend regularly scheduled Board and Committee meetings (included under Miscellaneous Expenses).

⁴ Director compensation includes per diems and technology allowances. The honorarium is intended to compensate for all Director work in the normal course of business, including meeting preparation and attendance, and the substantial interaction of the Directors with Management and other Directors between meetings. However, a Committee Chair may request approval by the Board Chair for additional compensation in the form of per diems for Committee Members for significant extraordinary hours that may be required over and above normal expectations of the Committee, based on their terms of reference. Additionally, per diems are paid for attending regulatory required courses and approved conferences. Per diems for the year were set as follows: up to two hours - \$170; up to four hours - \$345; over four hours - \$560.

⁵ In 2023, a remuneration structure was set for the Ad Hoc Search Committee, whereby members were compensated for their meeting attendance via per diems, with the Committee Chair receiving a Chair fee. In addition ILC and N&E members were compensated for additional Committee meetings and the ILC, HRCC, Risk and Board Chairs compensated for extensive work conducted outside of meetings.

⁶ Education expenses include conference attendance and associated costs.

⁷ Miscellaneous expenses include parking, lunch or coffee meetings, and mileage. 2023 expenses are higher than typical due to the CEO search.

